

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$8,812	\$9,327	\$9,620	\$293	3.1%
Special Fund	242	263	267	3	1.3%
Federal Fund	<u>5,256</u>	<u>7,064</u>	<u>7,329</u>	<u>264</u>	<u>3.7%</u>
Total Funds	\$14,310	\$16,654	\$17,215	\$561	3.4%
Contingent & Back of Bill Reductions			-12	-12	
Adjusted Total	\$14,310	\$16,654	\$17,203	\$549	3.3%

- The fiscal 2006 allowance increases by \$549,000, which is 3.3% over the fiscal 2005 working appropriation. Approximately \$491,000 (\$295,000 in general funds and \$196,000 in federal funds) of the increase is due to the department's estimated cost of care for current and additional residents in Charlotte Hall Veterans Home.

Personnel Data

	FY 04	FY 05	FY 06	FY 05-06
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	67.00	66.00	66.00	0.00
Contractual FTEs	<u>1.92</u>	<u>1.92</u>	<u>2.76</u>	<u>0.84</u>
Total Personnel	68.92	67.92	68.76	0.84

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	2.52	3.82%
Positions Vacant as of 12/31/04	5.00	7.58%

- Contractual positions increase by 0.84 in fiscal 2006. This increase will allow veterans cemeteries to remain open on weekends and holidays.
- The department must keep 2.52 vacancies to meet its budgeted turnover rate of 3.82%; however, as of December 31, 2004, it had 5.0 vacancies and a vacancy rate of 7.58%.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Performance Is Fairly Flat in Service and Cemetery Programs: While the Maryland veteran population declines, the percent of benefit awards and positive feedback in the Service Program remains fairly level. The number of burial sites and individuals interred in the Cemetery Program increases, while complaints decrease slightly.

Veterans Homes Indicators Show Mixed Performance Compared to State Averages: Veterans Homes show better than average performance in the use of antipsychotic drugs, daily physical restraints, and new fractures, while simultaneously showing higher than average rates of bedfast residents, cognitive impairment, and falls.

Issues

Charlotte Hall Veterans Home: The new wing at Charlotte Hall opened in June 2003. The hall's current total occupancy rate for both assisted living and comprehensive care residents is 58%; the number of assisted living residents increased by 16 in fiscal 2004 and 8 to date in fiscal 2005, but the department anticipates 22 new assisted living residents in fiscal 2006.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete one PIN that has been vacant for longer than seven months.	\$ 30,393	1.0
2. Reduce funds to more accurately reflect the number of assisted living residents.	91,070	
Total Reductions	\$ 121,463	1.0

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Department of Veterans Affairs

Operating Budget Analysis

Program Description

The Department of Veterans Affairs (DVA) provides a variety of administrative and support services to the State's veterans, their families, dependants, and survivors. The department also manages five veterans' cemeteries, maintains three veterans' war memorials in cooperation with local jurisdictions, and operates and manages the Charlotte Hall Veterans Home. The Military Monuments and Memorials Commission was transferred to DVA in fiscal 2001.

The department's goals are to:

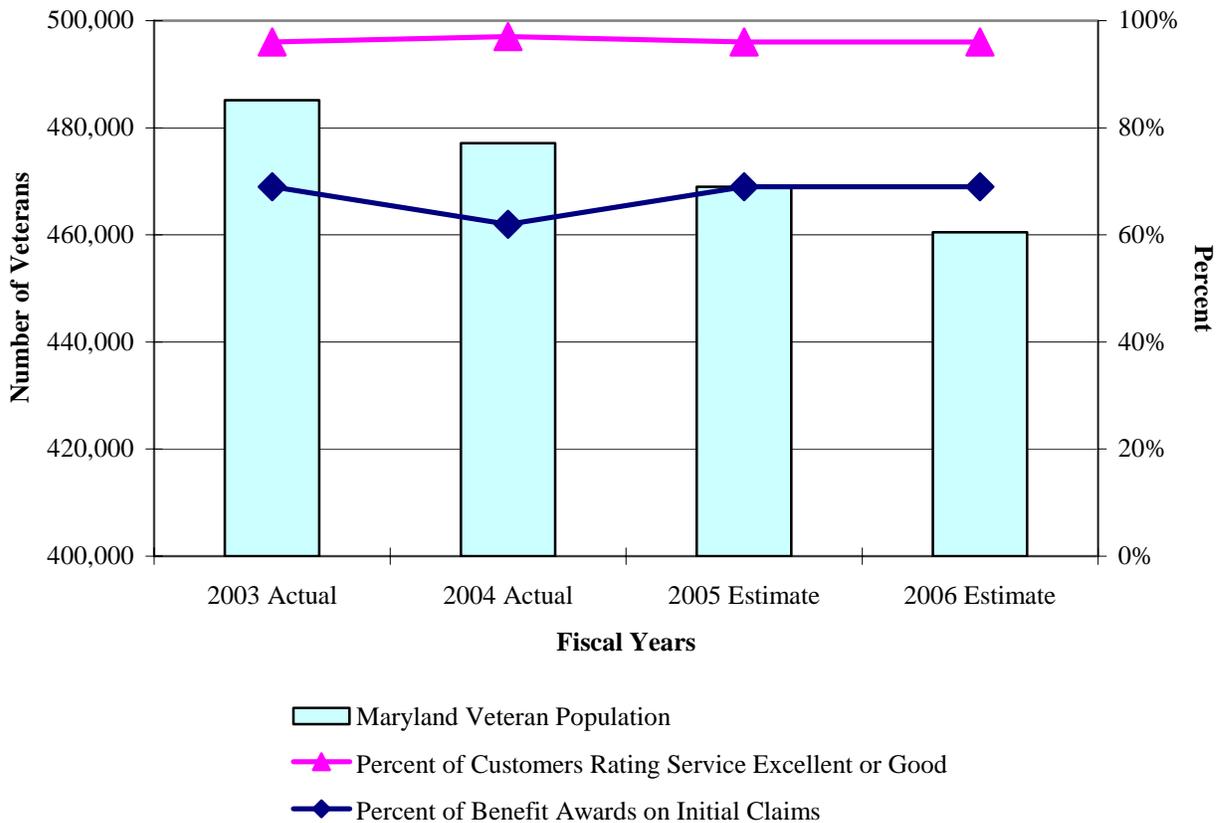
- aid veterans in the preparation of claims for benefits to which they are entitled such as educational assistance, death benefits, and medical care;
- operate and maintain the five veterans cemeteries;
- provide upkeep and maintenance for Maryland's war memorials; and
- provide and operate the State veterans home at Charlotte Hall.

Performance Analysis: Managing for Results

Exhibit 1 shows performance data for the department's Service Program, which provides information, guidance, and assistance to veterans, their dependents, and survivors in applying for and obtaining federal, State, and local benefits and entitlements granted by law. These benefits include disability compensation, pension, death benefits, educational assistance, home loans, medical care, and other benefits. Exhibit 1 shows that Maryland's veteran population has declined since fiscal 2003 and is expected to continue to decline through fiscal 2006. This is due to a decline in the World War II veteran population and some decline from more recent peace times. The percent of customers rating the department's service as excellent or good continues to hover near 100%. The percent of benefit awards made on initial claims reportedly jumped to approximately 65% in fiscal 2003 because the federal government began to acknowledge diabetes as an effect of Agent Orange in some veterans; this indicator experienced a slight dip to approximately 60% in fiscal 2004 due to some extended staff sicknesses.

The department should comment on the number of veterans in Maryland, how the number is expected to change in the future, and the impact of the estimated trends on its budget and programs.

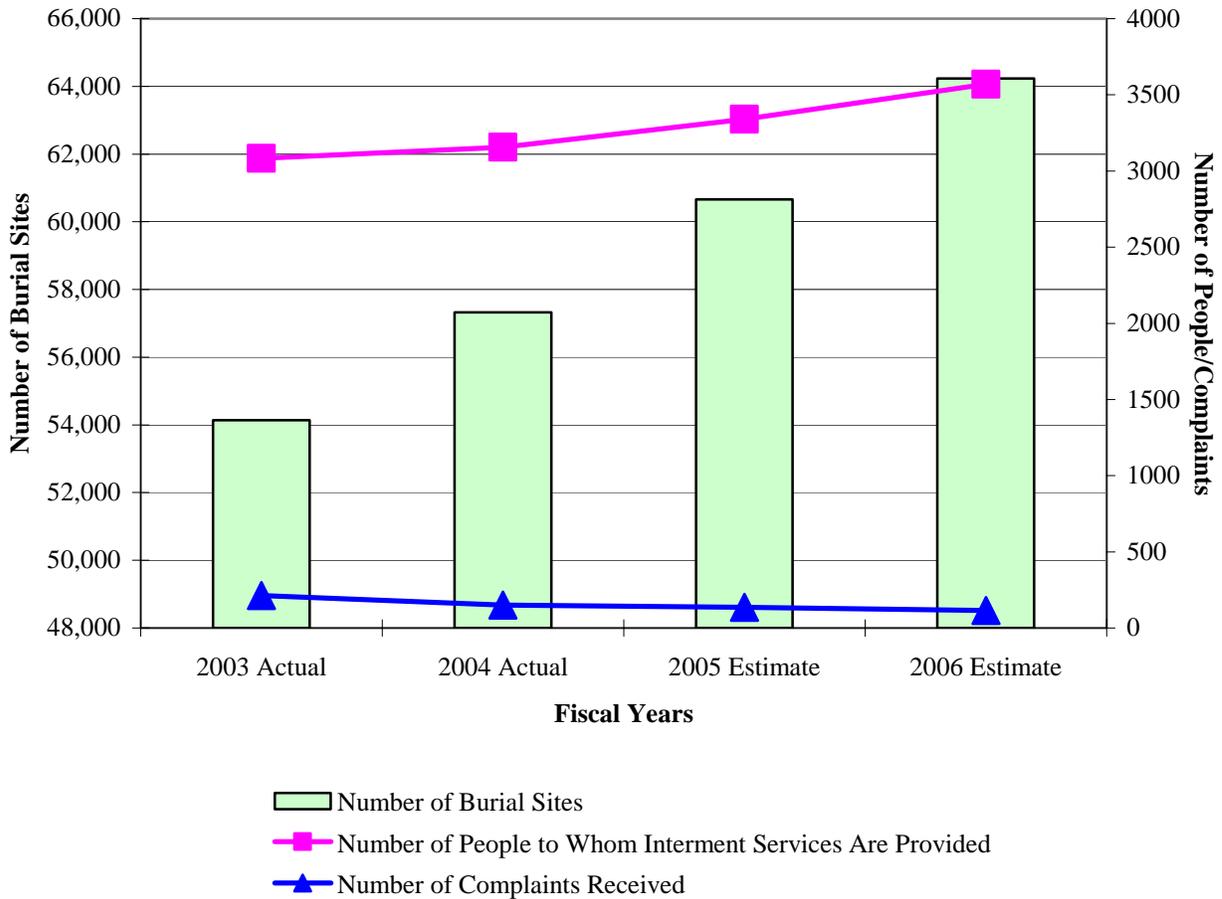
**Exhibit 1
Service Program Performance Data
Fiscal 2003 – 2006**



Source: Department of Veterans Affairs

Performance data for the department’s Cemetery Program is provided in **Exhibit 2**. The number of burial sites has increased from 54,000 in fiscal 2003 to 57,000 in fiscal 2004 and is expected to continue to increase to 64,000 in fiscal 2006. This increase is caused by the increase in deaths of veterans. The number of people to whom interment services are provided is expected to increase steadily from fiscal 2003 through 2006 as the number of veterans dying increases; however, the percent of people eligible who are interred remains fairly steady between 21 and 23%, and the percent of those eligible for and desiring interment who are interred is constant at 100%. The number of complaints received in the Cemetery Program is expected to continue to drop slightly from fiscal 2003 through fiscal 2006, reportedly due to the greater recent attention to burial procedures and maintaining burial sites.

Exhibit 2
Cemetery Program Performance Data
Fiscal 2003 – 2006

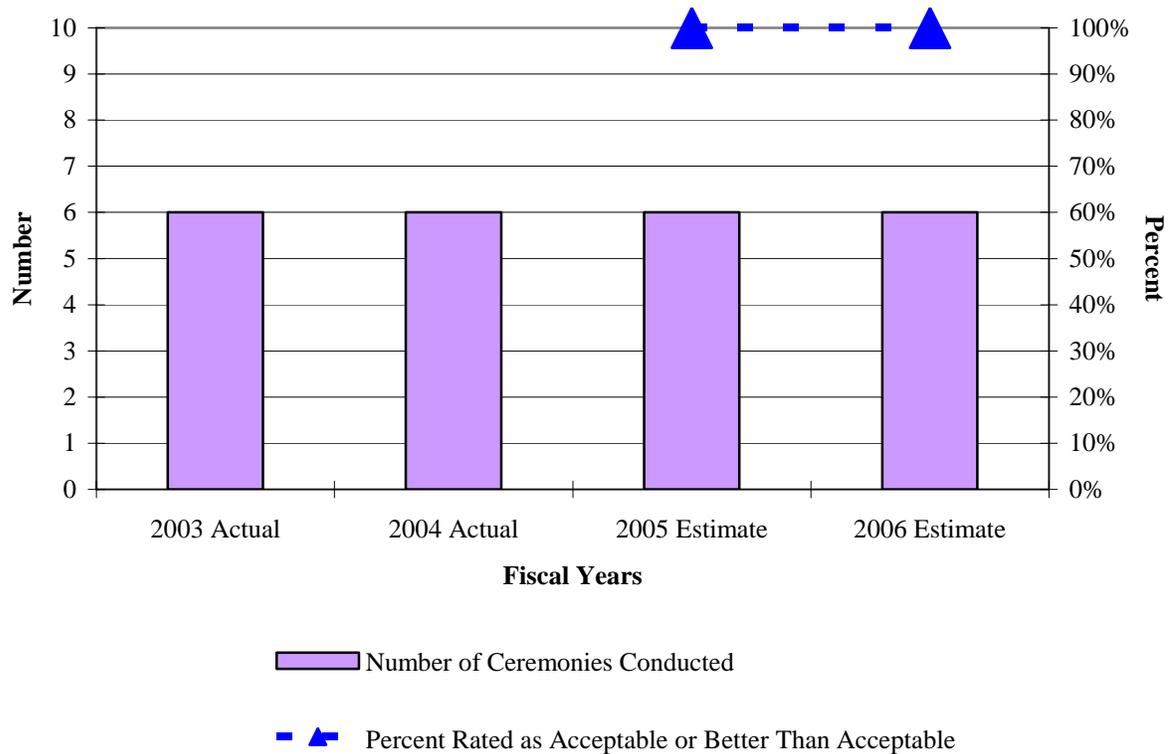


Source: Department of Veterans Affairs

The department’s Memorials and Monuments Program performance data in **Exhibit 3** shows a flat number of ceremonies is expected from fiscal 2003 through 2006, as the number of ceremonies corresponds to the number of holidays. The estimate for the percent of ceremonies rated as acceptable or better is expected to remain at 100%.

The department should comment on the value of its Memorials and Monuments Program performance measures and whether it plans to develop performance measures in the future that would reflect movement toward improving this program and its services.

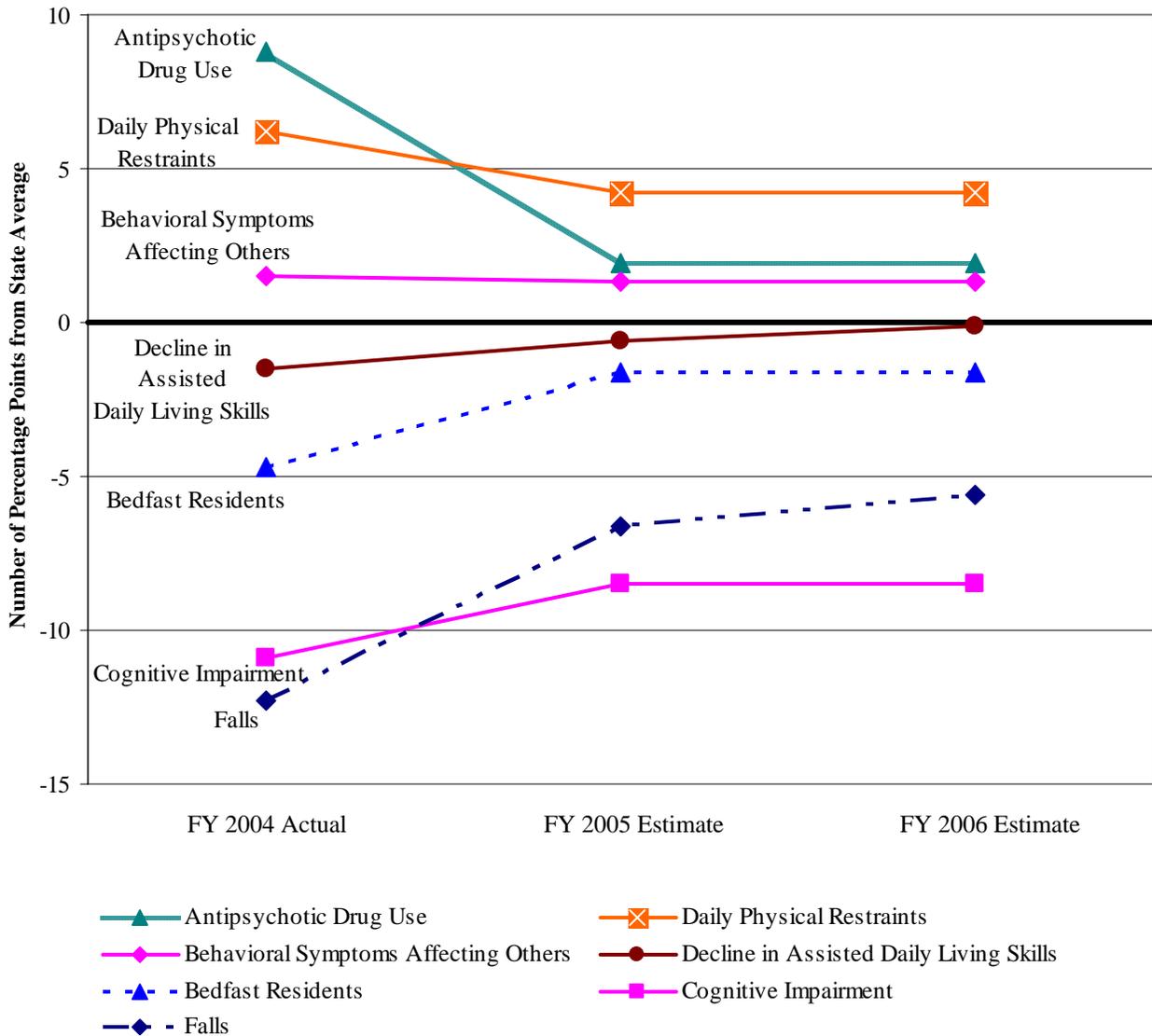
Exhibit 3
Memorials and Monuments Program Performance Data
Fiscal 2003 – 2006



Source: Department of Veterans Affairs

Exhibit 4 shows how the rates of various health indicators for Charlotte Hall Veterans Home compare to the average rate of the indicators in other State long-term care facilities. Performance measures are based on the Quality Indicators used by the Centers of Medicare and Medicaid Services to evaluate care at long-term care facilities. These indicators include the rate of use of antipsychotic drugs and daily physical restraints, bedfast residents, and cognitive impairment. Exhibit 4 demonstrates the State average at the 0 mark, with the indicators above the State average showing where rates in Veterans Homes are better than the State average. For example, there are lower rates of antipsychotic drug use and daily physical restraints in Charlotte Hall than the average in State facilities. On the other hand, the indicators below the 0 line show that falls, cognitive impairment, bedfast residents, and decline in daily living skills are more prevalent in Charlotte Hall than the

**Exhibit 4
How Veterans Homes Compare to State Averages
Fiscal 2004 – 2006**



Source: Department of Veterans Affairs

average in other State facilities. One major reason for the differences is the large majority of male residents (94.8%) in veterans homes, as opposed to a majority of women (approximately 70%) in other facilities. Residents in Charlotte Hall also have different types of issues than residents in other facilities, such as war injuries, indigence, a history of drug and/or alcohol abuse, a lower average age of death, and other residual effects from military service.

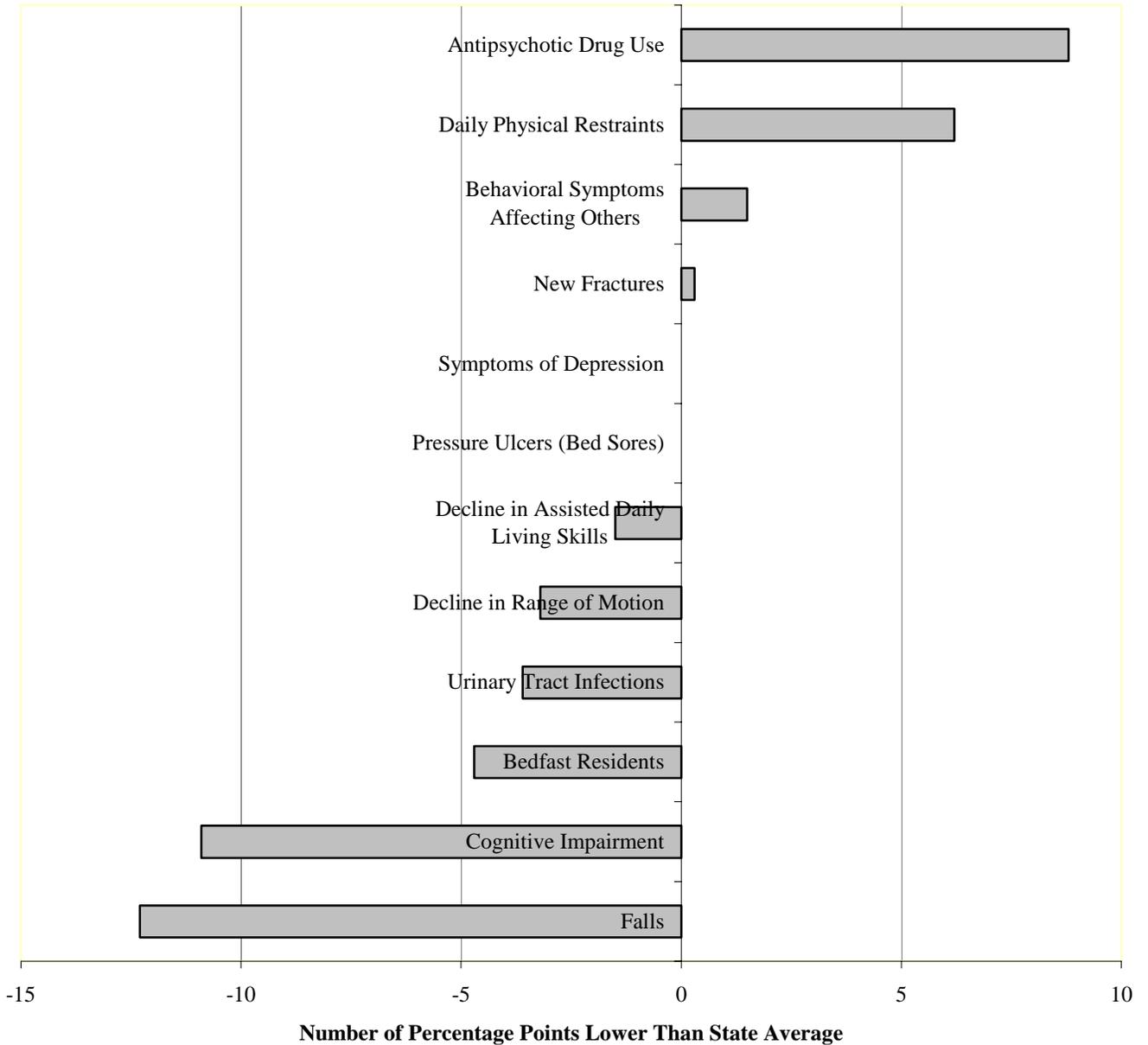
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Similarly, **Exhibit 5** contains fiscal 2004 data that demonstrate which indicators in Charlotte Hall compared favorably as well as unfavorably to the State average. The data show that, in fiscal 2004, Charlotte Hall compared favorably to State averages in a relative lack of antipsychotic drug use, daily physical restraints, behavioral symptoms affecting others, and new fractures. Indicators in which Charlotte Hall compared unfavorably to the State average include the more frequent prevalence of bedfast residents, cognitive impairment, and falls. The indicator for cognitive impairment reflects Charlotte Hall's Alzheimer's Unit. The prevalence of bedfast residents reflects Charlotte Hall's hospice program, while the greater prevalence of falls reflects Charlotte Hall's policy against using restraints except in extreme cases. Charlotte Hall does, however, have a "Safe Fall" program designed to reduce injuries from falls.

Governor's Proposed Budget

Exhibit 6 shows the major changes in the fiscal 2006 budget allowance. The most significant change in the budget is a \$491,000 increase for Charlotte Hall Veterans Home costs for purchase of care. The general fund increase (\$295,000) is for an anticipated increase in the assisted living population due to increased marketing efforts. The allowance assumes 126 people will reside in assisted living in fiscal 2006, 22 more than the Department of Legislative Services estimate for fiscal 2005 (See Issue 1 for additional information). The federal fund increase (\$196,000) is for existing and new residents in both assisted living and comprehensive care.

Exhibit 5
Veterans Homes Compared to State Average
Fiscal 2004



Source: Department of Veterans Affairs

**Exhibit 6
Governor's Proposed Budget
Department of Veterans Affairs
(\$ in Thousands)**

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2005 Working Appropriation	\$9,327	\$263	\$7,064	\$16,654
2006 Governor's Allowance	9,620	267	7,329	17,215
Contingent & Back of Bill Reductions	<u>-12</u>	<u>0</u>	<u>0</u>	<u>-12</u>
Adjusted Allowance	\$9,608	\$267	\$7,328	\$17,203
Amount Change	\$282	\$3	\$264	\$549
Percent Change	3.0%	1.3%	3.7%	3.3%

Where It Goes:

Personnel Expenses

Increments and other compensation	\$58
Retirement costs	30
Employee and retiree health insurance	16
Other fringe benefit adjustments	15
Turnover adjustments	-12

Cemetery Program

Federal funds in Cemetery Program for additional 0.84 contractual position	17
Cemetery Program motor vehicle charges reflect fiscal 2005 maintenance	-21
Contractual costs decrease due to cost containment	-60
Supplies and materials costs, mostly in Cemetery Program, reflect actual costs	-97

Other Changes

Charlotte Hall Veterans Home costs for purchase of care increase for current residents and 22 additional veterans anticipated from marketing efforts – \$295,000 in general funds (6% increase) and \$196,000 in federal funds (3% increase).....	491
Communication costs increase to reflect actual costs.....	55
Fuel and utilities increase to reflect actual costs.....	44
Other	13

Total **\$549**

Note: Numbers may not sum to total due to rounding.

Issues

1. Charlotte Hall Veterans Home

Charlotte Hall Veterans Home opened in 1985. Additional wings were opened in 1987, 1993, and 2003. Residents from A Wing were moved to D Wing in 2003, leaving A Wing vacant; the department reports that A Wing will be rehabilitated for assisted living residents when D Wing reaches its full capacity. Two types of care are provided – assisted living for relatively independent residents and comprehensive care for those with significant health conditions that require constant care. Comprehensive care is funded by individuals, insurance, Medicaid and Medicare, and federal reimbursement; no general funds are used for comprehensive care. In the Veterans Home Program, the entire general fund increase (\$295,000) is for new assisted living residents.

For fiscal 2006, the department expects to serve 126 assisted living residents. As shown in **Exhibit 7**, the actual number of assisted living residents was 88 in fiscal 2004, as opposed to the department’s estimate of 110. Currently, in fiscal 2005 there are 96 residents, as opposed to the department’s 2004 legislative session estimate of 120. The department receives increased general funds for new assisted living residents, but it has consistently overestimated the number of new residents expected. The department notes increased marketing efforts should increase residency, but the marketing vendor has already been in place for approximately two years.

Considering there were 16 new residents in fiscal 2004 and are 8 new residents mid-way through fiscal 2005, DLS estimates an increase of 16 new assisted living residents by the end of fiscal 2005 (for a total of 104) and 16 additional new residents by the end of 2006 (for a total of 120). This more realistic estimate of 16 new residents in fiscal 2006 is 73% of the department’s estimate of 22. Therefore, the general fund increase in the fiscal 2006 allowance should be correspondingly prorated to 73% – for an increase of \$215,000 instead of \$295,000.

Exhibit 7
Assisted Living Residents at Charlotte Hall Veterans Home
Fiscal 2003 – 2006

	<u>FY 2003</u> <u>Actual</u>	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Current</u>	<u>FY 2005</u> <u>DLS Estimate</u>	<u>FY 2006</u> <u>Allowance</u>
Available beds	100	226	226	226	226
Residents	72	88 (110 estimate)	96 (120 estimate)	104	126
Occupancy	72%	39%	42%	46%	56%

Source: Department of Veterans Affairs; Department of Legislative Services

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The department should comment on the feasibility of gaining 22 additional assisted living residents in fiscal 2006 and its need for additional funds to support a realistic estimated number of residents.

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete one PIN that has been vacant for longer than seven months. The PIN is 032612 and is a Motor Equipment Operator II for Cheltenham Veterans Cemetery.	\$ 30,393	GF	1.0
2. Reduce funds to more accurately reflect the number of assisted living residents at Charlotte Hall Veterans Home. The Department of Veterans Affairs estimates an additional 22 assisted living residents in fiscal 2006. However, a more realistic estimate would be 16 additional assisted living residents – or 73% of the estimated increase. The increase in general funds should be correspondingly prorated to 73% of the proposed increase – for a general fund increase of \$215,000 instead of \$295,000. Approximately 21% of federal funds subsidize residents in assisted living. Therefore, approximately \$41,000 of the federal fund increase is for new assisted living residents. The increase in federal funds should be prorated to 73% of the proposed increase – for a federal fund increase of \$29,930 instead of \$41,000 for new assisted living residents.	80,000 11,070	GF FF	
Total Reductions	\$ 121,463		1.0
Total General Fund Reductions	\$ 110,393		
Total Federal Fund Reductions	\$ 11,070		

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Veterans Affairs (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$9,342	\$207	\$6,722	\$0	\$16,271
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	35	184	0	219
Cost Containment	-523	0	0	0	-523
Reversions and Cancellations	-7	0	-1,466	0	-1,474
Actual Expenditures	\$8,812	\$242	\$5,440	\$0	\$14,494
Fiscal 2005					
Legislative Appropriation	\$9,272	\$263	\$7,064	\$0	\$16,600
Budget Amendments	55	0	0	0	55
Working Appropriation	\$9,327	\$263	\$7,064	\$0	\$16,654

Note: Numbers may not sum to total due to rounding.

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Fiscal 2004

In fiscal 2004 the Department of Veterans Affairs spent \$1.8 million less than was originally appropriated. Budget amendments increased the federal fund appropriation by \$184,000 for the capital construction project of Wing IV at Charlotte Hall Veterans Home and increased the special fund appropriation by \$35,000 for various projects and recreational activities for the residents of Charlotte Hall Veterans Home. The increases were offset by a cancellation of \$1.5 million in federal funds due to attaining lower than estimated occupancy at Charlotte Hall and a reduction of \$523,000 in general funds for cost containment.

Fiscal 2005

In fiscal 2005 the general fund appropriation increased by \$55,954 for cost-of-living adjustments.

Audit Findings

Audit Period for Last Audit:	February 12, 2001 – March 10, 2004
Issue Date:	October 2004
Number of Findings:	2
Number of Repeat Findings:	1
% of Repeat Findings:	50%
Rating: (if applicable)	

Finding 1: The department has not received federal reimbursement for certain funding requests totaling approximately \$4 million that were made during fiscal 2004.

Finding 2: **Property records were not adequately maintained, and physical inventories of sensitive and non-sensitive items were not completed as required.**

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
Department of Veterans Affairs**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	67.00	66.00	66.00	0	0%
02 Contractual	1.92	1.92	2.76	0.84	43.8%
Total Positions	68.92	67.92	68.76	0.84	1.2%
Objects					
01 Salaries and Wages	\$ 2,766,242	\$ 2,926,745	\$ 3,046,225	\$ 119,480	4.1%
02 Technical & Spec Fees	49,541	56,288	72,955	16,667	29.6%
03 Communication	56,959	65,221	119,967	54,746	83.9%
04 Travel	32,444	33,297	33,760	463	1.4%
06 Fuel & Utilities	271,743	265,635	310,111	44,476	16.7%
07 Motor Vehicles	153,756	81,147	60,550	-20,597	-25.4%
08 Contractual Services	10,477,122	12,764,973	13,203,091	438,118	3.4%
09 Supplies & Materials	88,099	173,501	76,237	-97,264	-56.1%
10 Equip - Replacement	189,425	20,000	23,110	3,110	15.6%
11 Equip - Additional	1,333	15,000	12,000	-3,000	-20.0%
12 Grants, Subsidies, and Contributions	198,088	198,088	198,088	0	0%
13 Fixed Charges	11,970	20,994	28,773	7,779	37.1%
14 Land & Structures	13,251	33,601	30,407	-3,194	-9.5%
Total Objects	\$ 14,309,973	\$ 16,654,490	\$ 17,215,274	\$ 560,784	3.4%
Funds					
01 General Fund	\$ 8,811,851	\$ 9,326,648	\$ 9,620,056	\$ 293,408	3.1%
03 Special Fund	242,435	263,350	266,650	3,300	1.3%
05 Federal Fund	5,255,687	7,064,492	7,328,568	264,076	3.7%
Total Funds	\$ 14,309,973	\$ 16,654,490	\$ 17,215,274	\$ 560,784	3.4%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
Department of Veterans Affairs**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Service Program	\$ 1,147,901	\$ 1,171,015	\$ 1,332,330	\$ 161,315	13.8%
02 Cemetery Program	2,460,209	2,595,327	2,526,942	-68,385	-2.6%
03 Memorials and Monuments Program	435,972	399,053	360,546	-38,507	-9.6%
05 Veterans Home Program	10,265,891	12,489,095	12,995,456	506,361	4.1%
Total Expenditures	\$ 14,309,973	\$ 16,654,490	\$ 17,215,274	\$ 560,784	3.4%
General Fund	\$ 8,811,851	\$ 9,326,648	\$ 9,620,056	\$ 293,408	3.1%
Special Fund	242,435	263,350	266,650	3,300	1.3%
Federal Fund	5,255,687	7,064,492	7,328,568	264,076	3.7%
Total Appropriations	\$ 14,309,973	\$ 16,654,490	\$ 17,215,274	\$ 560,784	3.4%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal 2006 Cost Containment Actions
As Submitted by the Agency
Estimated Fiscal 2006 Savings
Compared to Fiscal 2005**

<u>Cost Saving Action/ Efficiency Measure</u>	<u>Program Code</u>	<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
Reduction to maintenance and repair and office supplies	Cemetery Program	\$16,960	\$16,960	\$0	\$0	There is no immediate impact to operations nor customer service. The Cemetery Program will closely monitor expenditures in this area and use federal funds when necessary to cover costs. However, anticipate contract costs to increase for lawn care and liners. The continual reliance on reducing operations for cost containment can not be sustained.
Reduction of general funds for PIN 032615	Cemetery Program	36,500	36,500	0	0	PIN 032615 general fund cut. PIN still allowed. This is a reduction to salary, object 01 general fund. The transfer of fiscal obligation to federal funds will require the Cemetery program to closely monitor its contractual expenditures. If necessary, appropriate adjustments will be made to forgo the purchasing of necessary supplies and materials. This program can not be relied on for reduction of general funds/cost containment and meet future increase cost of operations.